



QUINTIN C. KENDALL
RESIDENT VICE PRESIDENT

108 NORTH 8TH STREET
RICHMOND, VA 23219
Tel. 804-592-2485
Fax. 804-592-2484

February 19, 2010

Thelma Drake, Director
Virginia Department of Rail and
Public Transportation
600 East Main Street, Suite 2102
Richmond, Virginia 23219

Dear Thelma:

Please accept the enclosed amended Rail Enhancement Fund application package submitted on behalf of CSX Transportation (CSXT). The application seeks funding to construct the Kilby Support Yard, the final Virginia component of the National Gateway network.

The National Gateway will provide an efficient double-stack rail route that links the ports of Hampton Roads to major markets in the Midwest via Washington, DC. Double-stack clearances and greater freight yard capacity will allow intermodal trains to handle more freight, provide relief to overcrowded highways, and make more efficient use of scarce train slots on Virginia's busiest passenger train routes.

The need for a National Gateway support yard to enhance container shipping service is referenced in DRPT's 2008 *Rail Resource Allocation Plan*. At the time of the *Plan*'s release, the support yard was unfunded and designated as Phase III of the overall National Gateway. However, with the recent announcement of federal funding allocations towards completion of the National Gateway, the expedited construction of Kilby Yard is warranted to ensure the ports are adequately connected to the National Gateway and the benefits the network provides.

Please let me know if any additional information is required and do not hesitate to contact me if you have any questions.

With kindest regards, I am

A handwritten signature in dark ink, appearing to be "Q. Kendall", written over a horizontal line.

Quintin C. Kendall



**Rail Enhancement Fund
Project Application Form**

Internal Use

DRPT Tracking #

Date: _____

A. Name of Applicant (Name and Address)

CSX Transportation

500 Water Street – J315

Jacksonville, FL 32202

Applicant type:

☐ Passenger Railroad

☒ Freight Railroad

☐ Locality

☐ Business

☐ Other _____

B. Contact Information:

Responsible Person/Title: Steve Potter, AVP Network Planning & Joint Facilities, Mail Stop J-887

Telephone: 904-359-3205 Fax: 904-366-4030 Email: Steve_Potter@csx.com

Project Manager/Title: Rick Nevinger, Director of Transportation Projects, Mail Stop J-350

Telephone: 904-359-3251 Fax: 904-359-1030 Email: Rick_Nevinger@csx.com

C. Project Title: Kilby Support Yard

D. Project Location: (City/County, Rail line, Railroad Mile Post, attach map)

Kilby Support Yard, Portsmouth Subdivision – SA 20-25, Suffolk VA

E. Owner of Property/Right-of-Way/Facility/Personal Property: CSX Transportation, Inc.

F. Responsible Party for Continuous Maintenance of Project: CSX Transportation, Inc.

G. Project Information:

1) Description of Project:

The National Gateway is a project that emerges from the continued growth in import, export, and domestic traffic. This initiative will provide an efficient double-stack rail route that links Mid-Atlantic ports to major markets in the Midwest via Washington, DC and the Virginia Avenue tunnel. Double-stack clearances and greater freight yard capacity will allow intermodal trains to handle more freight, provide relief to overcrowded highways, and make more efficient use of scarce train slots on Virginia's busiest passenger train routes.

This Rail Enhancement Fund application covers a vital element of the National Gateway. This component will integrate Virginia into the National Gateway program to provide Portsmouth and Norfolk with an enhanced double-stack rail connection to other major points on the CSX network.

This application is for the final design and construction of the siding and support yard at Kilby, and amends the application approved in 2009 that provided funding to support 30% engineering, environmental due diligence and preparation of permit documentation for the project.

Kilby Support Yard (located at Suffolk, VA)

The Kilby Support Yard provides critical capacity for both double-stack intermodal service at the Port of Virginia and Hampton Roads by expanding the existing 5,130-foot Kilby siding by 14,600 feet and adding two 4,000-foot support tracks. The project is strategically located on the Portsmouth Subdivision and will serve as the primary intermodal train assembly facility for CSX Transportation's (CSXT) port traffic. The yard will also effectively increase capacity on the Portsmouth Subdivision by providing the infrastructure necessary to meet and pass trains.

At Kilby, CSX will combine blocks of double-stack intermodal cars from four marine terminals into unit trains for the longer-distance transit. The terminal traffic originates from APM terminal, Portsmouth Marine Terminal, Norfolk International Terminals, and the future Craney Island Terminal and inland markets providing exports. While this project will not independently increase containerized volumes, its development allows for the continued growth of international containerized shipments at the Port of Virginia and provides more efficient staging of trains on the National Gateway and CSX service into the Southeast. As such, this project is a vital component of the National Gateway while serving as a necessary component in the Commonwealth's efforts to direct the landside movement of port cargo to a competitive freight rail system.

Technical Details:

The project is located in Suffolk, Virginia on the Portsmouth Subdivision at mileposts SA 20-25, approximately 54 miles east of CSXT's I-95 connection at Weldon and approximately 20 miles west of the Portsmouth Marine Terminal. The proposal is to extend the existing 5,130-foot siding at Kilby to achieve a new 14,730 foot passing siding as well to create two new support tracks of 4,000 feet each (see attached schematic). This project will be linked to the existing island of TCS and Suffolk (Suffolk Connection Track) extending that signal system through Kilby. By adding a siding and support tracks, CSXT will have the ability to combine blocks of intermodal container traffic delivered by the Commonwealth Railway from the APM terminal with trains originating and terminating at the existing CSX intermodal terminal adjacent to Portsmouth Marine Terminal. In addition, the new support yard infrastructure will enable future integration of train blocks from Norfolk International

Terminals and the future Craney Island Terminal. Currently, CSXT does not have adequate local infrastructure to consolidate blocks of traffic at the levels anticipated in the future.

2) Project Objective:

The capacity provided by the Kilby Support Yard is critical to the growth of the Port of Virginia and to support increased carload traffic to Hampton Roads. Kilby will deliver the capacity necessary to efficiently operate the National Gateway rail route linking the Port of Virginia with Midwestern markets via Washington, DC, improving the flow of international and domestic traffic between those regions. Enhancements in intermodal handling capacity at Kilby boost the competitiveness of the Port and regional freight-dependent businesses through lower rail rates and more reliable service.

3) Relationship to Other Projects under Development by Applicant or Previously Funded by this Program:

The construction of Kilby Support Yard will complete the investments of Virginia and CSX in the National Gateway by providing expanded staging capacity to more efficiently build and dispatch intermodal trains. Through the VREF, the Commonwealth previously funded the Suffolk Connection for CSX to the Commonwealth Railway; the Portsmouth Subdivision Clearances; and portions of the National Gateway. In addition, the Commonwealth utilized its Railroad Safety Relocation Fund to advance the Median Rail Project serving the APM terminal and Craney Island. Collectively, these projects extend and improve the reach of rail from the Port and Hampton Roads to markets in the Southeast, Northeast, and Midwest. Kilby is a key operational component of these rail extension and clearance efforts because it will function as the chief assembly and staging point for double-stack traffic flowing over these improvements.

4) Describe the Public Benefit of Project. Identify significant types of benefits and beneficiaries from this project. (See Attachment A)

The Kilby Support Yard will help underpin the substantial public benefits driven by investment in the National Gateway. These benefits include:

- Increased employment opportunities;
- Lower shipping costs;
- Decreased highway delay;
- Reduced highway maintenance;
- Better air quality;
- Improved safety; and,
- Smoother distribution of goods.

Through this investment, Virginia will gain improved rail reliability, diversion of heavy trucks from the roadways, reduced emissions and fuel usage, and improved highway safety. Shippers will benefit through lower transportation costs and improved service reliability from more efficient operations radiating from Hampton Roads to other multistate corridors. The Port of Virginia will benefit from increased throughput and improvements in competitive position that result from improved transportation options.

As an ancillary benefit, the Kilby project will create 168 near-term construction jobs during the one-year construction period. In turn, salaries from the 168 construction jobs induce another 105 jobs in the broader economy. In total, the project would sustain 273 jobs during construction.

5) Attachment A – Project Data Information Form – Must be completed by Applicant and submitted with this application.

H. Type of Project:

- 1) ☒ New Construction ☐ Rehabilitation ☐ Study
- 2) ☒ Rail Infrastructure ☐ Rail Facility/Station
 ☐ Equipment/Rolling Stock ☒ Signals/Communication Equipment
- 3) Other _____

I. Application Scope of Work Covers:

☒ Entire Project ☐ A Phase of a Multi-Phase Project ☐ Completion Phase

J. Project Budget Summary:

Preliminary Service, Engineering, or Feasibility Study	_____
Environmental Evaluation	_____
Design Engineering	_____
Right of Way Acquisition	_____
Construction	\$15,523,400
Construction Management	_____
Lease/Acquisition of Equipment	_____
Public Involvement (if applicable)	_____
Other _____	_____
 Subtotal Project Budget	 \$15,523,400
 Total Project Budget	 \$15,523,400

K. Attach detailed budget and schedule information. If the project is for final design, construction or procurement; then plans, specifications and reports to a preliminary engineering level (approximately 30%) should be provided to support the project cost and major features (if applicable). A sample budget and schedule is included in Appendix D.

L. Rail Enhancement Funds Requested in this Application: \$10,866,380
Maximum 70% of Total Project Budget. Do not include any previous allocations or future phases.

M. Local Match Required by Applicant: \$4,657,020
At least a minimum 30% of Total Project Budget

If Overmatch, Provide Percentage _____

1) Match Breakdown by Source (Including any in-kind match)

a. Provider of Local Match CSX Transportation, Inc.

b. Status (confirmed/anticipated) Confirmed

c. Attach justification for value of in-kind match.

2) Other Funding Sources Beyond Match Requirement

a. Provider of Overmatch N/A

b. Status (confirmed/anticipated) N/A

N. Project implementation schedule (based in months). List major milestones of the project, including environmental review and public involvement points if applicable.

See Attachment.

O. Statement of how this project promotes or does not preclude dual/multi-access use.

As part of the National Gateway, the Kilby Support Yard will enhance dual access to the Port of Virginia and to the Hampton Roads region by providing expanded staging capacity for double-stack trains. This project enhances the competitiveness of double-stack rail access between the Port of Virginia and Midwestern markets via the National Gateway, and for other double-stack market connections, including those in the Southeast.

As container traffic grows at Virginia's port and the Portsmouth Marine Terminal moves forward with non-intermodal rail uses, it will be critical to assure that CSX is able to provide the capacity needed to support the business. The absence of this capacity will undermine the effectiveness of dual access and rail competition at the Port.

P. List additional users of rail line, facility, and/or equipment.

CSXT is the sole user of this facility.

Q. Identify any possible environmental or other issues/concerns within the scope of this project.

The net environmental impact of this CSXT project is positive: a more efficient freight rail network allows a shift of long-haul truck movements from the highway to rail, alleviating highway congestion, reducing fuel consumption, providing lower emissions, and offsetting the need for additional highway construction.

CSXT is vigilant in its efforts to protect the environment around its operations throughout its entire network, including the Commonwealth. Details of any environmental issues within the scope of this project will be outlined through the preliminary engineering process.

Required Attachments:

Application is not complete without items 1-6 completed by the Applicant and submitted with the Application. Items 1-4 can be found on the DRPT website:

<http://www.drpt.virginia.gov/projects/ref.aspx>

- 1. Attachment A - Project Data Information Form (Provided)**
- 2. Attachment B - Application Checklist (Provided)**
- 3. Data Request Form (Provided electronically in Excel)**
- 4. Detailed cost, budget and schedule. Include preliminary engineering to 30% report, if applicable (Sample in Appendix D)**
- 5. Certification of Match/% of Match/Documentation of Source of Match Including Defined Match Source (To be provided by Applicant)**
- 6. Certification of Additive Investment (To be provided by Applicant)**
- 7. Statement from the Applicant/Owner of the facility that the SWAM participation goals will be achieved by the project.**
- 8. Statement from the owner of the facility that acknowledges the Commonwealth will have a public interest in the facilities, materials, equipment and improvements funded or impacted by this project (To be provided by Applicant/Owner)**

Application and Attachment Certification

To the best of my knowledge all information contained in this application and its attachments is true. The information provided to the Virginia Department of Rail and Public Transportation (DRPT) is subject to full disclosure except where protected by Virginia Code. Any additional documentation related to this application will be provided to DRPT upon request.

Authorized Signature and Title:



Date: 02-01-2010

Steven A. Potter
Assistant Vice President
Network Planning & Joint Facilities
CSX Transportation, Inc.



**Rail Enhancement Fund
Project Application
Completed Application Submission Information**

One signed original, twelve copies, and an electronic copy in PDF format of the completed application and required documentation must be mailed under applicant cover to:

Director
Virginia Department of Rail and Public Transportation
600 East Main Street, Suite 2102
Richmond, VA 23219



**Rail Enhancement Fund
Project Application**

Internal Use

DRPT Tracking #

**Attachment A
Project Data Information Form**

Date: 02-01-10

Name of Applicant and Project

CSX Transportation, Inc. – KILBY SUPPORT YARD

General Instructions: Please complete the following forms that apply to the project application.

- For Freight Service projects, complete forms A1, A2 and A5
- For Intercity/Amtrak passenger projects, complete forms A1, A3 and A5
- For Commuter/VRE passenger projects, complete forms A1, A4 and A5
- For projects that involve benefits to both freight and passenger projects, form A1 and forms A2-A4 that apply must be completed. For each completed form A2-A4, a form A5 must be completed for each category for projects resulting in multiple project benefits.

Terms:

Project Cost and Construction Period: Form A1 shall be completed with total project cost by year of expenditure with total DRPT cost identified by year of expenditure. This section must be completed for all project applications.

Demand Characteristics: This category of information relates to the additional demand for rail service (including freight and passenger) due to the project. This additional demand must be over and above baseline conditions that currently exist. The specific data to enter here defines initial demand, steady state demand, and the years until steady state demand is achieved.

Steady State Demand: This term refers to the point at which the project benefits/demand have reached a long-term, sustainable level.

Project Impact on Travel Distance: This category of information includes the distance that would be traveled by vehicle or train. All distances should be limited to miles within Virginia. The distance should relate directly to the project-impacted area.

Demand Characteristics for a 15-year Performance Period: This term refers to the project output by performance year, which will be utilized to determine the public benefits and to determine the performance requirements over the 15-year Performance Period of the Grant Agreement.

Attachment A

Form A1 – Project Cost and Construction Period

First Construction Year: 2015

Last Construction Year: 2015

Year	Total Project COST	Total DRPT COST
Year 1	\$15,523,400	\$10,866,380
Year 2		
Year 3		
Year 4		
Year 5		
Total	\$15,523,400	\$10,866,380

Use Form A-5 to provide demand characteristics for the 15-Year Performance Period.

Attachment A
Form A2 – Freight Service

Demand Characteristics	CATEGORY	UNITS	VALUE
	Steady state demand – diversion of freight to rail (from trucks)	Carloads/Year	130,000 intermodal units/yr with annual growth
	First year of diversion	Carloads/Year	110,000 intermodal units/yr
	Number of years until steady state	Number of Years	15

Project Impact on Travel Distance	CATEGORY	UNITS	VALUE
	Rail miles in Virginia (Existing routing before project)	Miles	0
	Rail miles in Virginia (routing after project completion)	Miles	250
	Number of years until steady state	Miles	15

Conversions	CATEGORY	UNITS	VALUE
	Railcars per Train	Railcars/Trains	250 intermodal units per train
	Rail tons per Railcar	Tons/Railcar	40 tons/intermodal unit
	Trucks per Railcar	Trucks/Railcar	2 intermodal units/railcar

Other	CATEGORY	UNITS	VALUE
	Change in Daily Delay for Freight Trains	Railcars/Trains	0
	Reduction in Number of Rail At-Grade Crossings	Tons/Railcar	0

Use Form A-5 to provide demand characteristics for the 15-Year Performance Period.

Attachment A
Form A5 – Demand Characteristics for 15-Year Performance Period

Performance Year	Performance Value*
1	1,000
2	1,500
3	2,000
4	3,000
5	4,000
6	35,000
7	46,000
8	52,500
9	64,000
10	70,000
14	81,500
12	82,000
13	90,500
14	108,5000
15	130,000
Total	771,500

* For Freight Service Projects – car loads or containers per year
 For Inter-City / Amtrak Passenger Projects – passengers per year
 For Commuter / VRE Passenger Projects – passengers per year



**Rail Enhancement Fund
Project Application Checklist
Attachment B**

Internal Use

DRPT Tracking #

Date: _____

Name of Applicant and Project:

CSX Transportation, Inc.

Checklist for Application

1. Project is consistent with goals of applicable adopted state, regional and/or local plans.

☒ Yes ☐ No

2. Project is an Additive Investment to Virginia.

☒ Yes ☐ No

3. Project provides for, or does not preclude, shared or dual access opportunity.

☒ Yes ☐ No

4. Applicant has provided documentation and certification of at least a minimum 30% match.

☒ Yes ☐ No

5. Applicant has provided an environmental review plan and/or public involvement plan, if applicable, and required budget for this activity as outlined in Appendix D.

☒ Yes ☐ No

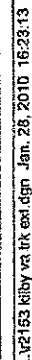
6. Application is complete, including signature and specified number of hard copies and an electronic (PDF file) copy; and Applicant has reviewed the Standard Agreement as provided in Appendix C.

☒ Yes ☐ No

**CSX Transportation
DC and C Project Estimate**

2/1/2010

CSXT DC&C Order-of-Magnitude Estimate			
Project: Kilby, VA - Passing Track with Two 4000' Support Tracks			
Estimate Rev. Date: 1/28/2010			
Track Work		Cost	Total
Grading & Drainage		\$ 1,560,000	
Track Material		\$ 3,240,000	
Material additives	15%	\$ 486,000	
Track Labor		\$ 1,334,000	
Labor additives	57%	\$ 760,000	
Track Engineering		\$ 613,000	
CM, ER & Other		\$ 180,000	
Sub Total			\$ 8,173,000
Bridge Work			
Bridge Rehab		\$ -	
New Bridge Work		\$ -	
Sub Total			\$ -
Work Trains			
		\$ 10,000	
			\$ 10,000
Signal Work			
Signal Material		\$ 1,296,240	
Material additives	15%	\$ 194,000	
Signal Labor		\$ 864,160	
Labor additives	57%	\$ 493,000	
Signal Engineering		\$ 294,000	
CM, ER & Other		\$ 267,000	
			\$ 3,408,400
Environmental Work			
		\$ -	
			\$ -
Real Property			
		\$ 250,000	
			\$ 250,000
Sub Total			\$ 11,841,400
Contingency	30%		\$ 3,552,000
Construction Productivity Factor	5%		\$ 130,000
Grand Total			\$ 15,523,400



**CERTIFICATION OF MATCH
FOR THE
KILBY SUPPORT YARD**

I, Michael J. Ward, as President & Chief Executive Officer of CSX Transportation Inc. ("CSXT"), hereby certify that CSXT will provide 30 percent of the total cost of the Kilby Support Yard in Virginia. CSXT has the funds ready and available for the 30 percent match of the project.

This certificate is hereby provided to satisfy Item 4 of the Required Attachments section of the Virginia Department of Rail and Public Transportation Rail Enhancement Fund Project Application Form.

Signed: Michael J. Ward
Michael J. Ward
President & CEO
CSX Transportation, Inc.

Date: 2-1-10

Notary: Stephan Reynolds

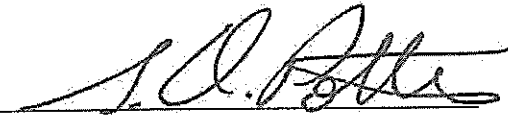


**CERTIFICATION OF ADDITIVE INVESTMENT
FOR THE
KILBY SUPPORT YARD**

I, Steve Potter, as Assistant Vice President, Network Planning & Joint Facilities of CSX Transportation Inc. ("CSXT"), hereby certify that CSXT is pursuing the Kilby Support Yard due to the availability of seventy percent matching funds from the Commonwealth of Virginia. The proposed project is an additive investment that is either beyond CSXT's current capital plan and/or will accelerate rail infrastructure improvements as of the date set forth below. will provide 30 percent of the total cost of the Kilby Support Yard in Virginia. CSXT has the funds ready and available for the 30 percent match of the project.

This certificate is hereby provided to satisfy Item 5 of the Required Attachments section of the Virginia Department of Rail and Public Transportation Rail Enhancement Fund Project Application Form.

Signed: _____



Steven A. Potter
Assistant Vice President
Network Planning & Joint Facilities
CSX Transportation, Inc.

Date: 02-01-2010

Notary: _____


2/1/10

**STATEMENT FROM THE APPLICANT/OWNER OF THE FACILITY THAT THE SWAM
PARTICIPATION GOALS WILL BE ACHIEVED BY THE KILBY SUPPORT YARD
PROJECT**

To Whom It May Concern:

I hereby certify that the National Gateway Project will, whenever it is possible, comply with the Small, Women, and Minority (SWAM) enterprises participation goals established for the Rail Enhancement Fund Program.

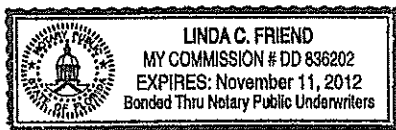
Signed: _____



Steven A. Potter
Assistant Vice President
Network Planning & Joint Facilities
CSX Transportation, Inc.

Date: 02-01-2010

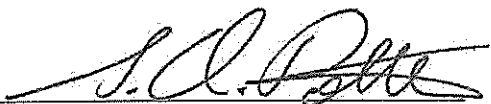
Notary: _____



**ACKNOWLEDEMENT OF PUBLIC INTEREST
FOR THE
KILBY SUPPORT YARD**

I, Steve Potter, as Assistant Vice President, Network Planning & Joint Facilities of CSX Transportation Inc. ("CSXT"), hereby acknowledge that the Commonwealth of Virginia will have a public interest in the KILBY SUPPORT YARD. The Commonwealth of Virginia shall have a continued residual interest in the improvement of the CSXT property provided under the project. CSXT acknowledges and agrees that any improvements provided by this project may be placed on CSXT property. If, for any reason, the public benefit of the project no longer exists, CSXT shall have the option of retaining, or, at the entire cost of the Commonwealth, of removing, or of requiring the removal of, all or any portion of any improvements made under the project and of, all or any portion of any improvements made under the project and of restoring CSXT's property and facilities to their original condition (ordinary wear and tear excepted), following such removal. If CSXT elects to retain all or any portion of the improvements for continued rail service, then CSXT shall pay to the Department the amount by which the then net salvage value of such improvements exceeds the removal and restoration costs otherwise to be incurred by the Commonwealth.

This certificate is hereby provided to satisfy Item 7 of the Required Attachments section of the Virginia Department of Rail and Public Transportation Rail Enhancement Fund Project Application Form.

Signed: 
Steven A. Potter
Assistant Vice President
Network Planning & Joint Facilities
CSX Transportation, Inc.

Date: 03-01-2010

Notary:

 2/1/10

